

DEBT FUNDING

Agreement signed at Washington April 25, 1924

Operative from December 15, 1923

*Modified by agreement of May 27, 1932*¹

*Revived (after World War II) March 9, 1948,² pursuant to article 10
of treaty of peace signed at Paris February 10, 1947*³

Treasury Department print

AGREEMENT

Made the 25th day of April, 1924, at the City of Washington, District of Columbia, between the GOVERNMENT OF THE KINGDOM OF HUNGARY, hereinafter called HUNGARY, party of the first part, and the GOVERNMENT OF THE UNITED STATES OF AMERICA, hereinafter called the UNITED STATES, party of the second part.

WHEREAS, Hungary is indebted to the United States as of December 15, 1923, upon an obligation maturing January 1, 1925, in the principal amount of \$1,685,835.61, described as "Relief Series C of 1920," together with interest accrued and unpaid thereon; and

WHEREAS, Hungary desires to fund said indebtedness to the United States, both principal and interest, through the issue of bonds to the United States, and the United States is prepared to accept bonds from Hungary upon the terms and conditions hereinafter set forth:

NOW, THEREFORE, in consideration of the premises and of the mutual covenants herein contained, it is agreed as follows:

1. *Amount of Indebtedness.* The amount of the indebtedness to be funded, after allowing for cash payments made or to be made by Hungary, is \$1,939,000, which has been computed as follows:

Principal amount of the obligation to be funded.....	\$1,685,835.61
Interest accrued thereon from May 29, 1920 to December 15, 1923, at the rate of 4¼ per cent per annum.....	253,917.43
Total principal and interest, accrued and unpaid as of December 15, 1923.....	1,939,753.04
To be paid in cash by Hungary April 25, 1924.....	753.04
Total indebtedness to be funded into bonds.....	1,939,000.00

¹ *Post*, p. 1140.

² *Department of State Bulletin*, Mar. 21, 1948, p. 382.

³ TIAS 1651, *ante*, vol. 4, p. 457.

2. *Repayment of Principal.* In order to provide for the repayment of the indebtedness thus to be funded, Hungary will issue to the United States at par, as of December 15, 1923, bonds of Hungary in the aggregate principal amount of \$1,939,000, dated December 15, 1923, and maturing serially on each December 15 in the succeeding years for 62 years, in the amounts and on the several dates fixed in the following schedule:

December 15—		December 15—	
1924	\$9,600	1956	\$27,000
1925	9,800	1957	27,500
1926	10,000	1958	28,500
1927	10,200	1959	29,000
1928	10,400	1960	30,000
1929	11,000	1961	32,000
1930	11,500	1962	33,000
1931	12,000	1963	35,000
1932	12,000	1964	36,000
1933	12,500	1965	38,000
1934	12,500	1966	40,000
1935	13,000	1967	41,000
1936	13,500	1968	42,000
1937	13,500	1969	44,000
1938	14,000	1970	45,000
1939	14,500	1971	47,000
1940	15,000	1972	48,000
1941	15,500	1973	50,000
1942	16,000	1974	51,000
1943	17,000	1975	53,000
1944	17,500	1976	55,000
1945	18,000	1977	57,000
1946	19,000	1978	59,000
1947	19,500	1979	62,000
1948	20,500	1980	64,000
1949	21,000	1981	66,000
1950	22,000	1982	68,000
1951	22,500	1983	71,000
1952	23,500	1984	73,000
1953	24,000	1985	75,000
1954	25,000		
1955	26,000		
		Total	1,939,000

Provided, however, That Hungary may at its option, upon not less than ninety days' advance notice to the United States, postpone any payment falling due as hereinabove provided to any subsequent June 15 or December 15 not more than two years distant from its due date, but only on condition that in case Hungary shall at any time exercise this option as to any payment of principal, the payment falling due in the next succeeding year can not be postponed to any date more than one year distant from the date when it becomes due unless and until the payment previously postponed shall actually have been made, and the payment falling due in the second succeeding year can not be postponed at all unless and until the payment of principal due two years previous thereto shall actually have been made.

All bonds issued or to be issued hereunder to the United States shall be payable to the Government of the United States of America, or order, shall

be issued in such denominations as may be requested by the Secretary of the Treasury of the United States, and shall be substantially in the form set forth in the exhibit hereto annexed and marked "Exhibit A." The \$1,939,000 principal amount of bonds first to be issued hereunder shall be issued in 62 pieces, in denominations and with maturities corresponding to the annual payments of principal hereinabove set forth.

3. *Payment of Interest.* All bonds issued or to be issued hereunder shall bear interest, payable semiannually on June 15 and December 15 in each year, at the rate of 3 per cent per annum from December 15, 1923, to December 15, 1933, and thereafter at the rate of 3½ per cent per annum until the principal thereof shall have been paid.

4. *Method of Payment.* All bonds issued or to be issued hereunder shall be payable, as to both principal and interest, in United States gold coin of the present standard of value, or, at the option of Hungary, upon not less than thirty days' advance notice to the United States, in any obligations of the United States issued after April 6, 1917, to be taken at par and accrued interest to the date of payment hereunder: *Provided, however,* That Hungary may at its option, upon not less than ninety days' advance notice to the United States, pay up to one-half of any interest accruing between December 15, 1923, and December 15, 1928, on the \$1,939,000 principal amount of bonds first to be issued hereunder, in bonds of Hungary dated and bearing interest from the respective dates when the interest to be paid thereby becomes due, with maturities arranged serially to fall on each December 15 in the succeeding years up to December 15, 1985, substantially in the manner provided for the original issue in section 2 of this Agreement, and substantially similar in other respects to the original issue of bonds under this Agreement.

All payments, whether in cash or in obligations of the United States, to be made by Hungary on account of the principal or interest of any bonds issued or to be issued hereunder and held by the United States, shall be made at the Treasury of the United States in Washington, or, at the option of the Secretary of the Treasury of the United States, at the Federal Reserve Bank of New York, and if in cash shall be made in funds immediately available on the date of payment, or if in obligations of the United States shall be in form acceptable to the Secretary of the Treasury of the United States under the general regulations of the Treasury Department governing transactions in United States obligations.

5. *Exemption from Taxation.* The principal and interest of all bonds issued or to be issued hereunder shall be paid without deduction for, and shall be exempt from, any and all taxes or other public dues, present or future, imposed by or under authority of Hungary or any political or local taxing authority within the Kingdom of Hungary, whenever, so long as, and to the

extent that beneficial ownership is in (a) the Government of the United States, (b) a person, firm, or association neither domiciled nor ordinarily resident in Hungary, or (c) a corporation not organized under the laws of Hungary.

6. *Payments Before Maturity.* Hungary may at its option, on any interest date or dates, upon not less than ninety days' advance notice to the United States, make advance payments in amounts of \$1,000 or multiples thereof, on account of the principal of any bonds issued or to be issued hereunder and held by the United States. Any such advance payments shall first be applied to the principal of any bonds which shall have been issued hereunder on account of interest accruing between December 15, 1923, and December 15, 1928, and then to the principal of any other bonds issued or to be issued hereunder and held by the United States, as may be indicated by Hungary at the time of the payment.

7. *Security.* The payment of the principal and interest of all bonds issued or to be issued hereunder shall be secured in the same manner and to the same extent as the obligation of Hungary in the principal amount of \$1,685,835.61, described in the preamble to this Agreement; that is to say, shall be a "first charge upon all the assets and revenues of Hungary and shall have a priority over costs of reparation under the Treaty of Trianon or under any treaty or agreement supplementary thereto, or under arrangements concluded between Hungary and the Allied and Associated Powers during the armistice signed on November 3, 1918;" *Provided, however,* That all or any part of such security may be released by the Secretary of the Treasury of the United States on such terms and conditions as he may deem necessary or appropriate in order that the United States may cooperate in any program whereby Hungary may be able to finance its immediate needs by the flotation of a loan for reconstruction purposes, if and when substantially all other creditor nations holding obligations of Hungary similar to that held by the United States and described in the preamble to this Agreement, to wit, Denmark, France, Great Britain, Holland, Norway, Sweden and Switzerland, shall release to a similar extent the security enjoyed by such obligations. The Secretary of the Treasury of the United States shall be authorized to decide when such action has been substantially taken.

8. *Exchange for Marketable Obligations.* Hungary will issue to the United States at any time, or from time to time, at the request of the Secretary of the Treasury of the United States, in exchange for any or all of the bonds issued or to be issued hereunder and held by the United States, definitive engraved bonds in form suitable for sale to the public, in such amounts and denominations as the Secretary of the Treasury of the United States may request, in bearer form, with provision for registration as to principal, and/or in fully registered form, and otherwise on the same terms and conditions, as

to dates of issue and maturity, rate or rates of interest, security, exemption from taxation, payment in obligations of the United States issued after April 6, 1917, and the like, as the bonds surrendered on such exchange. Hungary will deliver definitive engraved bonds to the United States in accordance herewith within six months of receiving notice of any such request from the Secretary of the Treasury of the United States, and pending the delivery of the definitive engraved bonds will, at the request of the Secretary of the Treasury of the United States, deliver temporary bonds or interim receipts in form satisfactory to the Secretary of the Treasury of the United States, within thirty days of the receipt of such request, all without expense to the United States. The United States, before offering any such bonds or interim receipts for sale in Hungary, will first offer them to Hungary for purchase at par and accrued interest, and Hungary shall likewise have the option, in lieu of issuing any such bonds or interim receipts, to make advance redemption, at par and accrued interest, of a corresponding principal amount of bonds issued or to be issued hereunder and held by the United States. Hungary agrees that the definitive engraved bonds called for by this paragraph shall contain all such provisions, and that it will cause to be promulgated all such rules, regulations, and orders, as shall be deemed necessary or desirable by the Secretary of the Treasury of the United States in order to facilitate the sale of the bonds in the United States, in Hungary or elsewhere, and that if requested by the Secretary of the Treasury of the United States it will use its good offices to secure the listing of the bonds on the stock exchange in Budapest.

9. *Cancellation and Surrender of Relief Obligation.* Upon the execution of this Agreement, the payment to the United States of cash in the sum of \$753.04 as provided in paragraph 1 of this Agreement and the delivery to the United States of the \$1,939,000 principal amount of bonds of Hungary first to be issued hereunder, together with satisfactory evidence of authority for the execution of the Agreement and the bonds on behalf of Hungary by its Envoy Extraordinary and Minister Plenipotentiary at Washington, and of appropriate action by the Reparation Commission so as to assure by its approval to the bonds of Hungary to be issued hereunder the same priority over reparations as that now enjoyed by the obligation of Hungary in the principal amount of \$1,685,835.61 described in the preamble to this Agreement, the United States will cancel and surrender to Hungary, at the Treasury of the United States in Washington, the obligation of Hungary last described.

10. *Notices.* Any notice, request, or consent under the hand of the Secretary of the Treasury of the United States shall be deemed and taken as the notice, request, or consent of the United States, and shall be sufficient if delivered at the Legation of Hungary at Washington or at the office of

the Minister of Finance in Budapest; and any notice, request, or election from or by Hungary shall be sufficient if delivered to the American Legation at Budapest or to the Secretary of the Treasury at the Treasury of the United States in Washington. The United States in its discretion may waive any notice required hereunder, but any such waiver shall be in writing and shall not extend to or affect any subsequent notice or impair any right of the United States to require notice hereunder.

11. *Compliance with Legal Requirements.* Hungary represents and agrees that the execution and delivery of this Agreement and of the bonds issued or to be issued hereunder have in all respects been duly authorized and that all acts, conditions, and legal formalities which should have been completed prior to the making of this Agreement and the issuance of bonds hereunder have been completed as required by the laws of Hungary, and/or applicable treaties and in conformity therewith.

12. *Counterparts.* This Agreement shall be executed in two counterparts, each of which shall have the force and effect of an original.

IN WITNESS WHEREOF Hungary has caused this Agreement to be executed on its behalf by its Envoy Extraordinary and Minister Plenipotentiary at Washington, thereunto duly authorized, and the United States has likewise caused this Agreement to be executed on its behalf by the Secretary of the Treasury, as Chairman of the World War Foreign Debt Commission, with the approval of the President, all on the day and year first above written, subject, however, to the approval of Congress, pursuant to the Act of Congress approved February 9, 1922,⁴ as amended by the Act of Congress approved February 28, 1923,⁵ notice of which approval, when given by Congress, will be transmitted in due course by the Secretary of the Treasury of the United States to the Legation of Hungary at Washington.

The Government of the Kingdom of Hungary,

By LÁSZLÓ SZÉCHÉNYI

Envoy Extraordinary and

Minister Plenipotentiary

The Government of the United States of America,

For the Commission:

By A. W. MELLON

Secretary of the Treasury, and

Chairman of the World War

Foreign Debt Commission

Approved:

CALVIN COOLIDGE,
President.

⁴ 42 Stat. 363.

⁵ 42 Stat. 1325.

EXHIBIT A

(Form of Bond)

THE GOVERNMENT OF THE KINGDOM OF HUNGARY

Sixty-two year 3-3½ per cent Gold Bond

Dated December 15, 1923—maturing December 15, .

\$

No.

The Government of the Kingdom of Hungary, hereinafter called Hungary, for value received, promises to pay to the Government of the United States of America, hereinafter called the United States, or order, on the 15th day of December, , the sum of Dollars (\$), and to pay interest upon said principal sum semiannually on the fifteenth day of June and December in each year, at the rate of three per cent per annum from December 15, 1923, to December 15, 1933, and at the rate of three and one-half per cent per annum thereafter until the principal hereof shall have been paid. This bond is payable as to both principal and interest in gold coin of the United States of America of the present standard of value, or, at the option of Hungary, upon not less than thirty days' advance notice to the United States, in any obligations of the United States issued after April 6, 1917, to be taken at par and accrued interest to the date of payment hereunder. This bond is payable as to both principal and interest without deduction for, and is exempt from, any and all taxes and other public dues present or future, imposed by or under authority of Hungary or any political or local taxing authority within the Kingdom of Hungary, whenever, so long as, and to the extent that, beneficial ownership is in (a) the Government of the United States, (b) a person, firm, or association neither domiciled nor ordinarily resident in Hungary, or (c) a corporation not organized under the laws of Hungary. This bond is payable as to both principal and interest at the Treasury of the United States in Washington, D.C., or, at the option of the Secretary of the Treasury of the United States, at the Federal Reserve Bank of New York.

This bond is issued under an Agreement, dated April 25, 1924, between Hungary and the United States, to which this bond is subject and to which reference is made for a further statement of its terms and conditions.

The payment of the principal and interest on this bond is secured in the same manner and to the same extent as the obligation of Hungary in the principal amount of \$1,685,835.61 described in the preamble to said Agreement, subject to release in whole or in part by the Secretary of the Treasury of the United States under authority conferred by Section 7 of said Agreement.

IN WITNESS WHEREOF, Hungary has caused this bond to be executed in its behalf at the City of Washington, District of Columbia, by its Envoy Extraor-

dinary and Minister Plenipotentiary at Washington, thereunto duly authorized.

The Government of the Kingdom of Hungary:

By

*Envoy Extraordinary and
Minister Plenipotentiary*

Dated, December 15, 1923.

(Back)

The following amounts have been paid upon the principal amount of this bond:

Date

Amount paid